

Iowa Tax NEWS

The quarterly newsletter of the Iowa Department of Revenue and Finance

Iowa counties may impose new school infrastructure tax

Effective July 1, 1998, Iowa counties may impose a 1 percent school infrastructure local option tax (SILO). This tax is in addition to the 5 percent state sales tax and to the 1 percent local option sales tax already adopted by many Iowa jurisdictions.

SILO is a countywide tax; that is, if a county imposes the tax, every business in the county must collect the tax on taxable sales. In addition, any business that makes taxable sales into the county may be required to collect the tax.

In August, Woodbury County became the first county to vote to impose the new tax. SILO will be imposed in Woodbury County starting October 1, 1998. Other counties are currently considering the tax.

SILO is imposed on taxable services and goods that are delivered in their jurisdictions. There is no SILO use tax; therefore, those sales that are

subject to a use tax, such as motor vehicles, are not subject to SILO.

As a general rule, SILO is collected on the sale of the same services or tangible personal property that is subject to the state sales tax.

However, the following are exceptions:

1. The sale of Iowa lottery tickets.
2. All gross receipts from the sale of motor fuel and special fuel.
3. The gross receipts from the rental of rooms if the hotel/motel tax already applies.
4. The gross receipts from a pay television service consisting of a direct-to-home satellite service.
5. The gross receipts from sales of equipment by the Iowa State Department of Transportation.

NOTE: Unlike the local option sales tax currently effective in hundreds of Iowa jurisdictions, the gross receipts from the sale of natural gas or electricity in a city or county subject to a franchise user fee are **not** exempt from SILO.

Iowa to offer TeleFile option in 1999

The department will offer a TeleFiling program for tax year 1998 targeted to a limited number of Iowa taxpayers who TeleFiled their 1997 federal returns.

TeleFiling allows personal income tax returns to be filed by telephone. TeleFilers will need their completed federal return, W-2's and other tax information, but will mail nothing to the department. They simply fill out a worksheet, call a

toll free number and enter a PIN number along with the required information on the touch-tone pad of the telephone. A computer then calculates and informs the caller of the amount of the refund or tax due. The process takes less than 10 minutes to complete. TeleFiling is another step in improving customer service and providing simplification of filing to an estimated 50,000 Iowans.

DEPARTMENT SERVICES

ONLINE

Internet Address (URL)

<http://www.state.ia.us/tax>

E-mail

iadrf@iadrf.e-mail.com

BY TELEPHONE

Taxpayer Services

from Des Moines
or out of state,

(515) 281-3114

from elsewhere in Iowa or Rock
Island-Moline or Omaha

1-800-367-3388

To Order Iowa Tax Forms

(515) 281-7239 or
1-800-532-1531

"Where's My Refund?"

(515) 281-4966 or
1-800-572-3944

BY FAX

*Receive Iowa Tax Forms through
department's Tax-Fax System*

1-800-572-3943

Taxpayer Services Fax Number

(515) 242-6487

Capital gains law undergoes changes

Two changes have occurred regarding the Iowa Capital Gains Deduction for tax years beginning January 1, 1998. First, the deduction will increase to 100 percent of the qualifying capital gains that were realized in 1998. Second, eligibility requirements changed for individuals selling to a lineal descendant.

The type of assets which qualify for the capital gain exclusion and the holding periods for the qualifying assets have not changed from prior years. However, the material participation requirement has been

waived when a business is sold to a lineal descendant. In addition, taxpayers are no longer required to have received more than one-half of their gross income from farming or ranching operations during the tax year when qualifying breeding livestock, cattle and horses are sold to lineal descendants. Sales of corporate stock will not qualify for the deduction.

Detailed guidelines will be included in the 1998 Iowa 1040 booklet and in department rules which should be issued by the end of this year.



Q *I am an Illinois-based construction contractor who frequently builds in Iowa. If I purchase materials in Illinois for use in an Iowa building project, do I have any Iowa tax liability on those materials?*

A If you paid Illinois sales tax on the materials and were legally required to do so, Iowa allows a credit for those taxes. If the other state's sales tax rate is higher than or equal to Iowa's 5 percent rate, no Iowa tax is due. If the sales tax rate in the other state is less than 5 percent, the contractor pays the difference to Iowa.

Note that if you paid Illinois sales tax on the materials at the time of purchase but were not legally required to do so, Iowa will not allow a credit.

If you did not pay Illinois sales tax on the materials you use in Iowa, you must pay the full 5 percent Iowa use tax on the materials. Do this by applying for an Iowa Consumer's Use Tax Permit and reporting the purchase price of the materials on line 1 of your return.

Q *We sell dyed diesel fuel to contractors in Iowa. Since this sale is not subject to motor vehicle fuel tax, do we charge any tax at all?*

A The sale of dyed diesel fuel to contractors for off-road use is subject to Iowa sales tax. The seller of the fuel is responsible for collecting and remitting the 5 percent sales tax. Local option sales tax does not apply. The contractor must remit 5 percent tax on these purchases if the sales tax is not properly charged.

IOWA LOCAL OPTION SALES TAX JURISDICTIONS

All jurisdictions listed have imposed the local option tax at a rate of 1 percent effective for the quarter beginning October 1, 1998.

COUNTY / CODE	JURISDICTIONS	EFFECTIVE DATES	COUNTY / CODE	JURISDICTIONS	EFFECTIVE DATES
Allamakee / 03	Harpers Ferry, Postville, Waterville	1-1-95		Mediapolis, Unincorporated Area	4-1-95
	Waukon	1-1-96	Dickinson / 30	Lake Park, Okoboji, Orleans, Spirit Lake, Superior, Terril	4-1-97
	Lansing, New Albin	7-1-96		Arnolds Park, Milford, Wahpeton, West Okoboji, Unincorporated Area	1-1-98
	Unincorporated Area	10-1-97	Dubuque / 31	Asbury, Balltown, Centralia, Dubuque, Holy Cross, Sageville, Zwingle	4-1-88
Black Hawk / 07	Cedar Falls, Elk Run Heights, Evansdale, Hudson, Raymond, Waterloo	4-1-91		Bankston, Bernard, Epworth, Farley, Graf, Peosta, Sherrill, Unincorporated Area	7-1-88
	Dunkerton, Gilbertville, Janesville, La Porte City, Unincorporated Area	10-1-91		Cascade, Dyersville, Luxemburg, New Vienna, Rickardsville, Worthington	10-1-89
Boone / 08	Berkley, Luther, Pilot Mound	4-1-89	Emmet / 32	Armstrong, Ringsted	1-1-98
	Boone	7-1-90	Fayette / 33	Arlington, Clermont, Elgin, Hawkeye, Maynard, Oelwein, Randalia, St. Lucas, Wadena, Waucoma, Westgate	1-1-95
	Boxholm, Ogden, Sheldahl, Unincorporated Area	1-1-91		Fayette, West Union, Unincorporated Area	7-1-95
	Madrid	7-1-91	Floyd / 34	Floyd, Marble Rock, Nora Springs, Rockford, Rudd	10-1-96
	Fraser	1-1-92		Charles City, Colwell, Unincorporated Area	10-1-97
	Beaver	1-1-95		Unincorporated Area	10-1-98
Bremer / 09	Frederika, Sumner, Tripoli	4-1-98	Franklin / 35	Coulter, Dows, Geneva, Hansell, Latimer, Sheffield	10-1-95
Buchanan / 10	Aurora, Lamont, Stanley	10-1-95		Hampton, Popejoy, Unincorporated Area	10-1-96
	Fairbank, Hazleton, Jesup, Winthrop	10-1-98	Fremont / 36	Farragut, Hamburg, Imogene, Randolph, Riverton, Shenandoah, Sidney, Tabor, Thurman, Unincorporated Area	1-1-96
Buena Vista / 11	Albert City, Linn Grove, Marathon, Newell, Sioux Rapids, Truesdale	7-1-91	Hancock / 41	Corwith, Crystal Lake, Garner, Goodell, Kanawha, Klemme, Woden	1-1-96
	Alta, Lakeside, Rembrandt, Storm Lake, Unincorporated Area	10-1-95		Britt, Unincorporated Area	1-1-97
Butler / 12	Allison, Aplington, Aredale, Bristow, Dumont, Greene, New Hartford, Parkersburg	1-1-97		Unincorporated Area	7-1-98
Cass / 15	Anita, Cumberland, Griswold, Lewis, Marne, Massena, Wiota	1-1-97	Hardin / 42	Alden, Buckeye, Eldora, Hubbard, Iowa Falls, Radcliffe, Steamboat Rock, Unincorporated Area	4-1-96
	Atlantic, Unincorporated Area	10-1-97		Ackley, New Providence, Owasa, Union, Whitten	1-1-97
Cerro Gordo / 17	Clear Lake, Dougherty, Mason City, Meservey, Plymouth, Rock Falls, Rockwell, Swaledale, Thornton, Ventura	7-1-92	Harrison / 43	Dunlap, Little Sioux, Mondamin, Persia, Pisgah	10-1-97
	Unincorporated Area	1-1-93		Logan, Magnolia, Missouri Valley, Modale, Woodbine	10-1-98
Cherokee / 18	Aurelia, Clegghorn, Larrabee, Marcus, Meriden, Washta	7-1-96	Henry / 44	Coppock, Hillsboro, Mount Pleasant, Mount Union, New London, Olds, Rome, Salem, Westwood, Winfield	10-1-95
	Quimby	1-1-98		Wayland, Unincorporated Area	1-1-96
Chickasaw / 19	Alta Vista, Bassett, Fredericksburg, Ionia, Lawler, Nashua, New Hampton, North Washington, Unincorporated Area	4-1-97	Howard / 45	Chester, Cresco, Lime Springs, Protivin	1-1-94
Clayton / 22	McGregor	1-1-90		Elma, Unincorporated Area	7-1-94
	Elkader, Garnavillo, Luana	4-1-94		Riceville	1-1-95
	Millville, Marquette, Saint Olaf		Ida / 47	Galva	4-1-97
	Elkport, Farmersburg, Garber, Guttenberg, Littleport, Monona, Volga	10-1-94	Iowa / 48	Ladora, North English, Parnell, Williamsburg	4-1-94
	Edgewood, North Buena Vista, Strawberry Point, Unincorporated Area	10-1-95		Marengo, Millersburg, Victor, Unincorporated Area	4-1-95
Clinton / 23	Andover, Calamus, Camanche, Clinton, Delmar, De Witt, Goose Lake, Grand Mound, Low Moor, Toronto, Welton, Wheatland	10-1-89	Jackson / 49	Baldwin, La Motte, Miles, Preston, Sabula, Saint Donatus, Spragueville, Springbrook	10-1-89
	Charlotte, Lost Nation, Unincorporated Area	1-1-90		Bellevue, Zwingle	4-1-91
Decatur / 27	Davis City, Decatur, Garden Grove, Grand River, Lamoni, Leroy, Pleasanton, Van Wert	1-1-97		Maquoketa, Monmouth	10-1-94
Delaware / 28	Colesburg, Delaware, Delhi, Earlville, Greeley, Manchester, Masonville	10-1-94		Andrew, Unincorporated Area	1-1-95
	Dundee, Dyersville, Hopkinton, Ryan, Unincorporated Area	4-1-95			
	Edgewood	4-1-96			
Des Moines / 29	Burlington, Danville, Middletown, West Burlington	10-1-94			

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Local option sales tax imposed in 17 new jurisdictions

Voters in the following 17 jurisdictions have elected to impose the local option sales tax effective October 1, 1998. The county and county codes are listed in bold.

Buchanan (10): *Fairbank, Hazleton, Jesup, Winthrop*

Floyd (34): *Unincorporated Area*
Harrison (43): *Logan, Magnolia, Missouri Valley, Modale, Woodbine*
Linn (57): *Prairieburg*
Plymouth (75): *Hinton, Kingsley, Merrill, Oyens, Struble, Westfield*
 A complete list of all current local

option sales tax jurisdictions is included on pages 3 and 4 of this newsletter. An alphabetical list by city and more information about Iowa's local option sales tax are available on the department's website at:

<http://www.state.ia.us/tax>

Local Option Sales Tax List continued from page 3

COUNTY / CODE	JURISDICTIONS	EFFECTIVE DATES	COUNTY / CODE	JURISDICTIONS	EFFECTIVE DATES
Jones / 53	Cascade, Center Junction, Morley, Olin, Onslow, Oxford Junction Monticello, Wyoming	4-1-95 1-1-96	Plymouth / 75	Hinton, Kingsley, Merrill, Oyens, Struble, Westfield	10-1-98
Lee / 56	Fort Madison, Franklin, Keokuk, Montrose St. Paul	10-1-91 1-1-93	Polk / 77	Polk City	1-1-86
Linn / 57	Donnellson, Houghton, West Point, Unincorporated Area	1-1-95	Sheldahl		7-1-87
Lucas / 59	Bertram	1-1-86	Pottawattamie / 78	Macedonia, Minden	1-1-89
Lyon / 60	Prairieburg	10-1-98	Council Bluffs		4-1-90
Mahaska / 62	Chariton, Derby, Lucas, Russell, Williamson	4-1-98	Avoca, Carson, Carter Lake,		1-1-95
Marshall / 64	Alvord, Doon, George, Inwood, Lester, Little Rock, Rock Rapids, Unincorporated Area	10-1-96	Crescent, Hancock, McClelland, Neola, Oakland, Treynor, Underwood, Walnut Unincorporated Area		4-1-95
Mills / 65	Barnes City, Beacon, Fremont, Keomah Village, Leighton, New Sharon, Oskaloosa, Rose Hill, University Park, Unincorporated Area	4-1-95	Scott / 82	Bettendorf, Blue Grass, Buffalo, Davenport, Dixon, Donahue, Eldridge, LeClaire, Long Grove, Maysville, McCausland, New Liberty, Panorama Park, Princeton, Walcott, Riverdale, Unincorporated Area	1-1-89
Mitchell / 66	Eddyville	10-1-95	Durant		4-1-97
Monona / 67	Liscomb	1-1-97	Shelby / 83	Defiance, Earling, Elk Horn, Irwin, Panama, Portsmouth, Shelby, Tennant, Westphalia	1-1-98
Montgomery / 69	Emerson, Henderson, Malvern, Tabor .	1-1-96	Sioux / 84	Alton, Boyden, Chatsworth, Granville, . Hawarden, Hull, Ireton, Matlock, Maurice, Orange City, Sioux Center, Unincorporated Area	10-1-95
Muscatine / 70	Carpenter, Mitchell, Orchard, Osage, .. Riceville, St. Ansgar, Stacyville McIntire, Unincorporated Area	1-1-95 7-1-95	Hospers, Rock Valley, Sheldon		7-1-96
O'Brien / 71	Blencoe, Castana, Mapleton, Moorhead, Onawa, Rodney, Soldier, Turin, Ute, Whiting, Unincorporated Area	7-1-90	Story / 85	Ames, Huxley	1-1-87
Page / 73	Coburg, Elliott, Stanton, Villisca	1-1-96	Cambridge, Collins, Colo, Gilbert, Kelley, McCallsburg, Roland, Sheldahl, Slater, Unincorporated Area		7-1-87
	Grant	4-1-96	Nevada, Maxwell, Zeiring		1-1-89
	Atalissa, Conesville, Fruitland, Muscatine, Stockton, Wilton Nichols, Unincorporated Area	7-1-94 1-1-95	Story City		10-1-90
	Durant, West Liberty	7-1-95	Wapello / 90	Agency, Blakesburg, Eddyville, Eldon, Kirkville, Ottumwa, Unincorporated Area	7-1-98
	Archer, Calumet, Paullina, Primghar, .. Sanborn, Sheldon, Sutherland, Unincorporated Area	1-1-96	Winneshek / 96	Decorah	4-1-91
	Hartley	7-1-98	Calmar, Castalia, Fort Atkinson, Jackson Junction, Ossian, Ridgeway, Spillville, Unincorporated Area		7-1-91
	Blanchard, Braddyville, Coin, College Springs, Essex, Shambaugh, Shenandoah, Yorktown	1-1-96	Woodbury / 97	Bronson, Cushing, Merville, Oto, Salix, Sergeant Bluff, Sioux City, Sloan Anthon, Correctionville, Danbury, Hornick, Lawton, Pierson, Smithland, Unincorporated Area	1-1-87 10-1-88
	Clarinda, Hepburn, Northboro, Unincorporated Area	7-1-96	Worth / 98	Fertile, Grafton, Hanlontown, Joice, Kensett, Manly, Northwood Unincorporated Area	1-1-97 7-1-97